

1 Eric H. Gibbs (*pro hac vice*)
2 David K. Stein (*pro hac vice*)
3 Iudis Sominskaia (*pro hac vice*)
4 **GIBBS LAW GROUP LLP**
5 505 14th Street
6 Oakland, California 94612
7 (510) 350-9700
8 ehg@classlawgroup.com
9 ds@classlawgroup.com
10 ids@classlawgroup.com

11 Scott L. Silver (*pro hac vice*)
12 **SILVER LAW GROUP**
13 11780 W. Sample Road L
14 Coral Springs, Florida 33065
15 (954) 755-4799
16 ssilver@silverlaw.com

17 *Counsel for Plaintiffs and Proposed Class*

18 Miles N. Clark (NBN 13848)
19 **KNEPPER & CLARK LLC**
20 5510 S. Fort Apache Rd., Suite 30
21 Las Vegas, NV 89148-7700
22 (702) 856-7430
23 miles.clark@knepperclark.com

24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241
242
243
244
245
246
247
248
249
250
251
252
253
254
255
256
257
258
259
260
261
262
263
264
265
266
267
268
269
270
271
272
273
274
275
276
277
278
279
280
281
282
283
284
285
286
287
288
289
290
291
292
293
294
295
296
297
298
299
300
301
302
303
304
305
306
307
308
309
310
311
312
313
314
315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364
365
366
367
368
369
370
371
372
373
374
375
376
377
378
379
380
381
382
383
384
385
386
387
388
389
390
391
392
393
394
395
396
397
398
399
400
401
402
403
404
405
406
407
408
409
410
411
412
413
414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458
459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534
535
536
537
538
539
540
541
542
543
544
545
546
547
548
549
550
551
552
553
554
555
556
557
558
559
5510
5511
5512
5513
5514
5515
5516
5517
5518
5519
5520
5521
5522
5523
5524
5525
5526
5527
5528
5529
5530
5531
5532
5533
5534
5535
5536
5537
5538
5539
5540
5541
5542
5543
5544
5545
5546
5547
5548
5549
55410
55411
55412
55413
55414
55415
55416
55417
55418
55419
55420
55421
55422
55423
55424
55425
55426
55427
55428
55429
55430
55431
55432
55433
55434
55435
55436
55437
55438
55439
55440
55441
55442
55443
55444
55445
55446
55447
55448
55449
55450
55451
55452
55453
55454
55455
55456
55457
55458
55459
55460
55461
55462
55463
55464
55465
55466
55467
55468
55469
55470
55471
55472
55473
55474
55475
55476
55477
55478
55479
55480
55481
55482
55483
55484
55485
55486
55487
55488
55489
55490
55491
55492
55493
55494
55495
55496
55497
55498
55499
554100
554101
554102
554103
554104
554105
554106
554107
554108
554109
554110
554111
554112
554113
554114
554115
554116
554117
554118
554119
554120
554121
554122
554123
554124
554125
554126
554127
554128
554129
554130
554131
554132
554133
554134
554135
554136
554137
554138
554139
554140
554141
554142
554143
554144
554145
554146
554147
554148
554149
554150
554151
554152
554153
554154
554155
554156
554157
554158
554159
554160
554161
554162
554163
554164
554165
554166
554167
554168
554169
554170
554171
554172
554173
554174
554175
554176
554177
554178
554179
554180
554181
554182
554183
554184
554185
554186
554187
554188
554189
554190
554191
554192
554193
554194
554195
554196
554197
554198
554199
554200
554201
554202
554203
554204
554205
554206
554207
554208
554209
554210
554211
554212
554213
554214
554215
554216
554217
554218
554219
554220
554221
554222
554223
554224
554225
554226
554227
554228
554229
554230
554231
554232
554233
554234
554235
554236
554237
554238
554239
554240
554241
554242
554243
554244
554245
554246
554247
554248
554249
554250
554251
554252
554253
554254
554255
554256
554257
554258
554259
554260
554261
554262
554263
554264
554265
554266
554267
554268
554269
554270
554271
554272
554273
554274
554275
554276
554277
554278
554279
554280
554281
554282
554283
554284
554285
554286
554287
554288
554289
554290
554291
554292
554293
554294
554295
554296
554297
554298
554299
554300
554301
554302
554303
554304
554305
554306
554307
554308
554309
554310
554311
554312
554313
554314
554315
554316
554317
554318
554319
554320
554321
554322
554323
554324
554325
554326
554327
554328
554329
554330
554331
554332
554333
554334
554335
554336
554337
554338
554339
5543310
5543311
5543312
5543313
5543314
5543315
5543316
5543317
5543318
5543319
5543320
5543321
5543322
5543323
5543324
5543325
5543326
5543327
5543328
5543329
5543330
5543331
5543332
5543333
5543334
5543335
5543336
5543337
5543338
5543339
55433310
55433311
55433312
55433313
55433314
55433315
55433316
55433317
55433318
55433319
55433320
55433321
55433322
55433323
55433324
55433325
55433326
55433327
55433328
55433329
55433330
55433331
55433332
55433333
55433334
55433335
55433336
55433337
55433338
55433339
554333310
554333311
554333312
554333313
554333314
554333315
554333316
554333317
554333318
554333319
554333320
554333321
554333322
554333323
554333324
554333325
554333326
554333327
554333328
554333329
554333330
554333331
554333332
554333333
554333334
554333335
554333336
554333337
554333338
554333339
554333340
554333341
554333342
554333343
554333344
554333345
554333346
554333347
554333348
554333349
554333350
554333351
554333352
554333353
554333354
554333355
554333356
554333357
554333358
554333359
554333360
554333361
554333362
554333363
554333364
554333365
554333366
554333367
554333368
554333369
554333370
554333371
554333372
554333373
554333374
554333375
554333376
554333377
554333378
554333379
554333380
554333381
554333382
554333383
554333384
554333385
554333386
554333387
554333388
554333389
554333390
554333391
554333392
554333393
554333394
554333395
554333396
554333397
554333398
554333399
5543333100
5543333101
5543333102
5543333103
5543333104
5543333105
5543333106
5543333107
5543333108
5543333109
5543333110
5543333111
5543333112
5543333113
5543333114
5543333115
5543333116
5543333117
5543333118
5543333119
5543333120
5543333121
5543333122
5543333123
5543333124
5543333125
5543333126
5543333127
5543333128
5543333129
5543333130
5543333131
5543333132
5543333133
5543333134
5543333135
5543333136
5543333137
5543333138
5543333139
5543333140
5543333141
5543333142
5543333143
5543333144
5543333145
5543333146
5543333147
5543333148
5543333149
5543333150
5543333151
5543333152
5543333153
5543333154
5543333155
5543333156
5543333157
5543333158
5543333159
5543333160
5543333161
5543333162
5543333163
5543333164
5543333165
5543333166
5543333167
5543333168
5543333169
5543333170
5543333171
5543333172
5543333173
5543333174
5543333175
5543333176
5543333177
5543333178
5543333179
5543333180
5543333181
5543333182
5543333183
5543333184
5543333185
5543333186
5543333187
5543333188
5543333189
5543333190
5543333191
5543333192
5543333193
5543333194
5543333195
5543333196
5543333197
5543333198
5543333199
5543333200
5543333201
5543333202
5543333203
5543333204
5543333205
5543333206
5543333207
5543333208
5543333209
5543333210
5543333211
5543333212
5543333213
5543333214
5543333215
5543333216
5543333217
5543333218
5543333219
5543333220
5543333221
5543333222
5543333223
5543333224
5543333225
5543333226
5543333227
5543333228
5543333229
5543333230
5543333231
5543333232
5543333233
5543333234
5543333235
5543333236
5543333237
5543333238
5543333239
5543333240
5543333241
5543333242
5543333243
5543333244
5543333245
5543333246
5543333247
5543333248
5543333249
5543333250
5543333251
5543333252
5543333253
5543333254
5543333255
5543333256
5543333257
5543333258
5543333259
5543333260
5543333261
5543333262
5543333263
5543333264
5543333265
5543333266
5543333267
5543333268
5543333269
5543333270
5543333271
5543333272
5543333273
5543333274
5543333275
5543333276
5543333277
5543333278
5543333279
5543333280
5543333281
5543333282
5543333283
5543333284
5543333285
5543333286
5543333287
5543333288
5543333289
5543333290
5543333291
5543333292
5543333293
5543333294
5543333295
5543333296
5543333297
5543333298
5543333299
5543333300
5543333301
5543333302
5543333303
5543333304
5543333305
5543333306
5543333307
5543333308
5543333309
5543333310
5543333311
5543333312
5543333313
5543333314
5543333315
5543333316
5543333317
5543333318
5543333319
5543333320
5543333321
5543333322
5543333323
5543333324
5543333325
5543333326
5543333327
5543333328
5543333329
5543333330
5543333331
5543333332
5543333333
5543333334
5543333335
5543333336
5543333337
5543333338
5543333339
55433333310
55433333311
55433333312
55433333313
55433333314
55433333315
55433333316
55433333317
55433333318
55433333319
55433333320
55433333321
55433333322
55433333323
55433333324
55433333325
55433333326
55433333327
55433333328
55433333329
55433333330
55433333331
55433333332
55433333333
55433333334
55433333335
55433333336
55433333337
55433333338
55433333339
554333333310
554333333311
554333333312
554333333313
554333333314
554333333315
554333333316
554333333317
554333333318
554333333319
554333333320
554333333321
554333333322
554333333323
554333333324
554333333325
554333333326
554333333327
554333333328
554333333329
554333333330
554333333331
554333333332
554333333333
554333333334
554333333335
554333333336
554333333337
554333333338
554333333339
5543333333310
5543333333311
5543333333312
5543333333313
5543333333314
5543333333315
5543333333316
5543333333317
5543333333318
5543333333319
5543333333320
5543333333321<br

1 Plaintiffs Barrett Henzel, Bryce Bussey, Allan Carso, Tina Guilder, and Anthony Guilder, on
 2 behalf of themselves and all others similarly situated, allege the following against Defendant
 3 Wells Fargo, N.A., a national banking association formed in Delaware.

4 **INTRODUCTION**

5 1. Beginning in 2017 and continuing through March 2022, Matthew Beasley and Jeffrey Judd
 6 ran a massive Ponzi scheme centered in Las Vegas, Nevada. The scheme enticed investors to
 7 pay large sums for the opportunity to buy shares of future personal injury settlements. The
 8 investors were promised large, annualized rates of return. And they were told the investments
 9 featured little to no risk; their funds would be held in an attorney trust account for extra safety.

10 2. The scheme went unimpeded for over five years. In early 2022, law enforcement received
 11 a tip and contacted Judd and Beasley. When the FBI arrived at Beasley's residence, Beasley
 12 brandished a firearm, threatened to commit suicide, and was subdued only after a multi-hour
 13 standoff involving a hostage negotiator. As Beasley was finally apprehended, he confessed to
 14 the Ponzi scheme. He told law enforcement that he was able to pull off the scheme because he
 15 was a lawyer, and that the full nature of the scheme would be clear as soon as they reviewed his
 16 attorney trust account bank records.

17 3. On this point, at least, Beasley was being honest. The account statements for the attorney
 18 trust account (or "IOLTA") at Wells Fargo show unmistakable signs of a Ponzi scheme. While
 19 privy to all that activity, Wells Fargo opted not to investigate or warn investors, and instead
 20 continued to provide its services to Beasley.

21 4. But Wells Fargo, like other banks, is tasked with taking steps to prevent money
 22 laundering, and it has sophisticated and automated processes to analyze its customers' account
 23 activity. When a new customer opens an account, Wells Fargo gathers information about that
 24 customer's identity and anticipated account activity, and then over time compares its
 25 predictions with the ways in which the account is actually used. Wells Fargo is particularly
 26 knowledgeable about IOLTAs because it maintains IOLTA-specific procedures that enable it to
 27 be listed among the banks in Nevada qualified to offer such accounts.

28 5. With Beasley's IOLTA, Wells Fargo had a clear picture of what to expect. When Beasley

1 opened the IOLTA in January 2017, he told the bank he was a solo practitioner, with a local law
2 practice, which brought in \$350,000 in gross annual sales.

3 6. During the five years that followed, however, Wells Fargo ignored obvious and
4 continuous signs of fraud and money laundering. Nearly every transaction within the IOLTA
5 involved large round numbers—often \$50,000, \$80,000, or \$100,000. Deposits were typically
6 followed by prompt withdrawals to one of several accounts. Rather than transactions pertaining
7 to Beasley’s local person-injury and family-law practice, many of the deposits were executed
8 with notations making explicit that the money was being deposited for investment purposes.

9 7. Most glaring of all, after being told to anticipate \$350,000 in gross annual revenues, Wells
10 Fargo witnessed nearly \$500 million flow through the account. This eye-popping figure was not
11 only orders of magnitude higher than what Beasley had forecasted for the bank, but also
12 noteworthy in comparison to statewide IOLTA holdings. The Nevada State Bar has reported
13 that, in recent years, daily holdings across all IOLTAs in the state averaged approximately \$700
14 million.

15 8. The law does not allow Wells Fargo to ignore such obvious signs of fraud. Nor does the
16 law permit Wells Fargo to continue to offer its services uninterrupted while refusing to
17 investigate or take any other action to protect the victims of the fraud. Yet that is precisely what
18 Wells Fargo did. And, left free to run their Ponzi scheme, Beasley and Judd siphoned so much
19 money from the IOLTA that, by the time law the FBI took action in March 2022, a mere \$4 million
20 remained in the account. Investors have lost hundreds of millions of dollars, which they are
21 unlikely to recover unless Wells Fargo is held accountable for its unlawful conduct.

22 9. Plaintiffs are among the many investors who seek to hold Wells Fargo accountable. They
23 sue on behalf of themselves and all other similarly situated investors. They seek full recovery of
24 their losses and all other relief provided for by law or equity.

1 **PARTIES**

2 **I. Plaintiffs**

3 10. Plaintiff Barrett Henzel is a citizen and resident of Las Vegas, Nevada.

4 11. Plaintiffs Tina Guilder and Anthony Guilder are citizens and residents of Trabuco
5 Canyon, California.

6 12. Plaintiff Bryce Bussey is a citizen and resident of Payson, Utah.

7 13. Plaintiff Allan Carso is a citizen of Las Vegas, Nevada.

8 **II. Defendant**

9 14. Defendant Wells Fargo Bank, N.A. is a national banking association formed in Delaware,
10 with its principal place of business in Sioux Falls, South Dakota.

11 **RELEVANT NON-PARTIES**

12 15. Jeffrey Judd is a citizen and resident of Nevada.

13 16. J & J Consulting Services, Inc., is a Nevada corporation, owned by Judd.

14 17. J & J Consulting Services, Inc., is an Alaska corporation with its principal place of business
15 in Nevada and is owned by Judd.

16 18. J & J Purchasing, LLC, is a Florida limited liability company with its principal place of
17 business in Nevada and is owned by Judd. (The above "J & J" companies are referred to
18 collectively as the "J & J Entities.")

19 19. Matthew Beasley is a citizen and resident of Nevada.

20 20. Beasley Law Group PC is a Nevada professional corporation, owned by Beasley, with its
21 principal place of business in Nevada.

22 **JURISDICTION AND VENUE**

23 21. This Court has jurisdiction over this action pursuant to the Class Action Fairness Act of
24 2005 (codified at 28 U.S.C. § 1332(d)(2)). At least one member of the proposed class is a citizen
25 of a different state than Defendant, there are more than one hundred members of the proposed
26 class, and the aggregate amount in controversy exceeds five million dollars (\$5,000,000.00),
27 exclusive of interest and costs.

28 22. This Court has specific personal jurisdiction over Defendant because Plaintiffs' claims

1 arise out of and relate to Defendant's unlawful conduct in Nevada.

2 23. Venue is proper in this District under 28 U.S.C. § 1391(b) because Defendant's unlawful
3 course of conduct occurred in large part in this District.

4 **STATEMENT OF FACTS**

5 **I. The Ponzi Scheme**

6 24. In March 2017, Beasley and Judd, with several promoters working at their direction,
7 began offering would-be investors the opportunity to buy "lawsuit settlement contracts."

8 25. In describing the investment opportunity, they told investors that periodically an injured
9 party involved in litigation would receive a settlement from an insurance company. The injured
10 party sometimes desired a portion of the settlement funds before the settlement payment would
11 be made. Through the lawsuit settlement contracts, the injured party (through their attorney)
12 would sell their interest in the eventual settlement proceeds to one of the J & J Entities. The J &
13 J Entity would advance funds, which the injured party then repaid 90 days later plus interest
14 and fees.

15 26. From 2017 to 2022, the scheme continued, operated through the J & J entities and Beasley
16 Law Group P.C. Largely through the use of promoters, they marketed the scheme primarily in
17 Nevada, Utah, California, and Washington. Promoters typically approached potential investors
18 with whom they shared some common interest, often at their gym or place of worship.

19 27. The lawsuit settlement contracts were typically priced at \$80,000 or \$100,000, although
20 investors sometimes purchased half of the contract (\$40,000 or \$50,000, respectively) or, in rare
21 instances, even smaller portions. Investors were promised high rates of return: for instance,
22 12.5% after 90 days, which translated to 50% annually, along with additional payments if the
23 returns were delayed. Investors' funds were usually automatically re-allocated once their initial
24 investments had matured.

25 28. Investors were told that lawsuit settlement contracts were scarce and therefore rare and
26 attractive investment opportunities. The promoters conveyed that the venture had made as
27 many as 20,000 such purchases and had never had one go bad. Ex. C, at p. V1-38; Ex. D., at V1-
28 71. They described the investments as risk-free, "ironclad", and "immaculate." Ex. D., at pp. V1-

1 59, V1-77.

2 29. Investors were consistently instructed to wire or deposit their investment capital into an
 3 Interest on Lawyers' Trust Account ("IOLTA") at Wells Fargo that belonged to Beasley's law
 4 firm, Beasley Law Group PC.

5 30. The promoters used the safeguards inherent in using an IOLTA as a selling point to
 6 boost their scheme and assure investors that the operation was above board. It worked;
 7 investors felt more secure sending their funds to an attorney trust account. Ex. D, at p. V1-57
 8 (also in image below).

		Page 26
1	MIKE: So -- okay. So they've already gone	
2	through a process with, like, an insurance company.	
3	They have some representing them.	
4	MR. JONGEWARD: Yeah.	
5	MIKE: Is it a law firm, like --	
6	MR. JONGEWARD: Yeah, so we have an attorney	
7	that represents us --	
8	MIKE: Okay.	
9	MR. JONGEWARD: -- and so we use his IOLTA	
10	account, his lawyer's trust account, and that lawyer's	
11	trust account is a state bar regulated account. If	
12	you're not familiar with those it's --	
13	MIKE: Yeah.	
14	MR. JONGEWARD: Yeah. It's very similar to	
15	an escrow account for real estate.	
16	MIKE: And what's the attorney's name?	
17	MR. JONGEWARD: His name is Matt Beasley,	
18	B-e-a-s-l-e-y, Beasley Law Group.	
19	MIKE: Okay.	

20
 21 31. The Ponzi scheme continued until March 2022, when it finally collapsed. That month, FBI
 22 agents began attempting to make contact with Judd and Beasley. When they arrived at Beasley's
 23 home, Beasley opened the door holding a gun against his head. He then aimed the gun at the
 24 agents, who shot him twice. Beasley ran inside, which began a stand-off that required the
 25 intervention of a hostage negotiator. Eventually a SWAT team raided the home and took Beasley
 26 into custody.

27 32. The SEC has since filed a complaint against Beasley and Judd in federal court, alleging,
 28 among other things, securities violations and fraud.

1 33. According to transcripts filed by the SEC, Beasley repeatedly confessed to the Ponzi
2 scheme during his standoff with the FBI. In it, he states that he “got names of attorneys” but
3 “never actually talked to them,” Ex. E, at p. V1-107, and that he continued to invent fictitious
4 attorney deals to satisfy the quickly growing investor demand. *Id.* He also states that he was
5 able to “pull the whole thing off” precisely because he was an attorney. *Id.* at p. V1-151.

Page 30

1 for a living, Matthew?

2 MR. BEASLEY: I'm an attorney. That's how I
3 was able to pull the whole thing off.

34. Beasley admitted to agents that the Ponzi scheme would be “clear as soon as they go through my bank records.” Ex. E, at p. V1-102.

II. Wells Fargo Knew of Beasley's Wrongful Use of the IOLTA Yet Did Not Investigate and Continued Facilitating His Use of the IOLTA.

35. Beasley's admission was accurate: the existence of his Ponzi scheme becomes apparent upon review of the Wells Fargo IOLTA statements. Immediately after the IOLTA was first opened, the account activities reflected a number of the most common—and glaring—signs of money laundering and fraud.

A. Wells Fargo Monitors Its Customers' Account Activity

36. Wells Fargo and other banks are required under federal law to know their customers. This entails collecting and maintaining customer information and understanding their banking behavior in order to, among other things, detect and prevent fraud.

37. The bank maintains procedures to know the identity of each customer, 31 C.F.R. § 1020.220(a)(1), (2), and to collect information about the holder of each account, 31 C.F.R. § 1020.220(a)(2). When an entity rather than an individual opens an account, the bank obtains information about the individual with control of the account. 31 C.F.R. § 1020.220(a)(2)(ii)(C).

1 38. Wells Fargo and other banks also maintain internal controls to ensure ongoing
 2 compliance with the Bank Secrecy Act (BSA), 12 C.F.R. § 21.21, which include independent
 3 testing of the bank's compliance, daily coordination and monitoring of compliance by a
 4 designated person, and training of appropriate personnel. These controls also include customer
 5 due diligence programs to prevent and detect money laundering. Under these programs, Wells
 6 Fargo maintains an awareness of the unique financial activity of its customers and can predict
 7 the type and frequency of transactions in which its customers are likely to engage, including the
 8 dollar volume and transaction volume typical of each account. This knowledge is used to
 9 identify unusual and suspicious transactions.

10 39. When Wells Fargo becomes aware during its normal account monitoring that customer
 11 information has materially changed, these internal controls require that the bank update that
 12 information and, where appropriate, reassess the customer's risk profile or rating. This includes
 13 when the customer's transactions are inconsistent with Wells Fargo's understanding of the
 14 nature and purpose of the type of account the customer has with it—for instance, when there
 15 are significant, unexplained changes in account activity.

16 40. Wells Fargo's compliance officer designates an individual at each office or branch to
 17 monitor day-to-day compliance with the BSA. And Wells Fargo makes employee compliance
 18 with the BSA a condition of employment and incorporates compliance with the BSA and its
 19 implementing regulations into job descriptions and performance evaluations. Accordingly,
 20 Wells Fargo gives BSA training to all operational personnel whose duties may require
 21 knowledge of the BSA, including tellers and wire room personnel, who can then identify indicia
 22 of money laundering and fraud.

23 41. Wells Fargo receives guidance from the Federal Financial Institutions Examination
 24 Council (FFIEC), a federal inter-agency body tasked with ensuring consistency in BSA
 25 compliance and anti-money laundering (or "AML") efforts across the banking sector. FFEIC
 26 publications describe certain "red flags" that tip off banks to possible money laundering
 27 schemes.

28 42. Per this guidance, banks like Wells Fargo give "closer scrutiny" to customer activity that

1 does not appear to have a reasonable business or legal purpose or is inconsistent with the known
 2 purpose for the customer's account.

3 43. One such "red flag" is customer activity inconsistent with the customer's business—for
 4 example, where a business has dramatically different patterns of deposits from those of similar
 5 businesses, where a large volume of transfers is made to and from the account, but the nature
 6 of the accountholder's business would not appear to justify them, or where the accountholder
 7 purchases good or services that do not match the stated line of business.

8 44. Another category of "red flags" is where the fund transfers have certain suspicious
 9 characteristics. This includes transfers to and from accounts held by related entities with no
 10 apparent business reason; unexplained repetitive transfers; transfers of large, round dollar
 11 amounts; activity inconsistent with the client's business, and payments or receipts with no
 12 apparent links to legitimate contracts, goods, or services.

13 **B. Wells Fargo Ramped Up Its Internal Control Mechanisms Before the Ponzi
 14 Scheme Began.**

15 45. Wells Fargo first started to build out its enterprise-level Operational Risk Management
 16 and Compliance group in 2005. The group focused on AML/ BSA, and other compliance issues.
 17 By 2011, the bank had installed its first Chief Risk Officer and empowered the executive to
 18 identify and escalate compliance issues to upper management, the newly established Risk
 19 Committee, and the Board.

20 46. Between 2011 and 2017, as Wells Fargo developed its internal protocols, it incurred fines
 21 and was subject to other disciplinary measures from federal agencies for its compliance failings,
 22 including those due to serious deficiencies in its AML/BSA-related oversight.

23 47. In 2013, in response to regulatory scrutiny, Wells Fargo retained an outside consultant to
 24 reevaluate its system of internal controls. Following this audit, the bank adopted a Risk
 25 Management Framework and made other substantive changes. In 2016, Wells Fargo testified to
 26 Congress that its policies, procedures, and internal controls were effective and compliant with
 27 AML laws.

28 48. By the time Beasley opened his IOLTA in 2017, the bank had restructured its internal

1 audit functions and directed substantial resources to the development and implementation of
2 surveillance technology. Wells Fargo also expanded its compliance-focused workforce
3 significantly, which included realigning over 5,000 employees to report into Corporate Risk and
4 expanding its Audit Services department to include over 1,350 team members.

5 49. As a result of these efforts, the bank boasts a sophisticated system of internal controls
6 including but not limited to:

- 7 a. continuous monitoring of business accounts, including automated algorithm-based
8 mechanisms that flag suspicious activity;
- 9 b. enhanced documentation, tracking, reporting, and escalation protocols;
- 10 c. a Data Analytics & Innovation department tasked with improving existing
11 compliance surveillance mechanisms;
- 12 d. a Financial Crimes department which focuses largely on AML and BSA compliance
13 and regularly tests existing audit methods to ensure they are timely, effective, and
14 accurate; and
- 15 e. a Regulatory Compliance department.

16 50. As a matter of course, Wells Fargo collects information about new business account
17 clients, including the purpose and nature of the business, anticipated activity in the account (e.g.,
18 volume, value (number and dollar), and type of transaction), where the customer expects to
19 transact business, products and services commonly used by the customer, as well as other
20 factors.

21 51. Using the information collected, as well as external resources like internet search engines
22 and state record databases, Wells Fargo creates an initial client profile and assigns a compliance-
23 related risk rating. Neither the profile, nor the risk rating, is final or static. Instead, these are
24 periodically updated to reflect the customer's behavior as it evolves, for instance with newly
25 acquired negative information about the account, reviews of the customer relationship, and
26 other risk factors.

1 **C. Wells Fargo Knows What Typical and Appropriate IOLTA Activity Looks**
 2 **Like.**

3 52. All or substantially all of the funds that went through the Ponzi scheme in this case ran
 4 through the Beasley law firm's IOLTA at Wells Fargo. This IOLTA was formally designated as
 5 such when first opened at a Wells Fargo branch in January 2017.

6 53. An IOLTA (which stands for "Interest on Lawyers' Trust Account") is a limited-use trust
 7 account offered only at qualified financial institutions. Wells Fargo has taken the steps needed
 8 to act as such a qualified financial institution within the state of Nevada, including by signing
 9 an acknowledgment of IOLTA-specific requirements. Wells Fargo has also taken the steps
 10 necessary to operate IOLTAs in other states across the country.

11 54. In addition to acknowledging IOLTA-specific restrictions, Wells Fargo committed to
 12 reporting discrepancies to the Nevada State Bar. Ex. F, at p. V2-13; *see also* NV SCR 785. Wells
 13 Fargo thus understands that proper IOLTA activity follows consistent patterns: for example,
 14 predictable transfer activity, meticulous separation of client funds, and no personal spending.

15 55. IOLTAs are to be used for deposits of "clients' funds which are nominal in amount or to
 16 be held for a short period of time." *Id.* at p. V2-34. The only payments that attorneys may make
 17 out of an IOLTA are "payments on behalf of [a] client ... including paying client costs and
 18 expenses (e.g., court filing fees or deposition transcript costs) that the client has prepaid,
 19 disbursing settlement proceeds, paying yourself earned and undisputed legal fees, etc." *Id.* at p.
 20 V2-35.

21 56. The Nevada Bar's Trust Accounting Manual provides that an attorney has a "non-
 22 waivable, personal fiduciary responsibility ... for every penny as long as the funds remain in
 23 [his or her] possession." *Id.* at p. V2-13; *see also* SCR 785.5."

24 57. Commingling funds within an IOLTA is improper. *Id.* at p. V2-25. The Nevada State Bar
 25 dictates that attorneys must keep meticulous ledgers to ensure easy audits of the account.
 26 Because a thorough audit trail is expected, IOLTA transactions typically contain detailed
 27 notations to indicate the nature of the expense and the name of the client. *Id.* at pp. V2-27-28. For
 28 the same reason, proper use of such accounts does not ordinarily include making checks out to

1 cash or withdrawing cash from the account. *Id.* Indeed, IOLTAs typically don't come with a
 2 debit card or ATM access. *Id.* at p. V2-29.

3 58. When client funds are deposited, the money has yet to be earned by the lawyer (or else it
 4 would go into the lawyer's operating account). *Id.* at pp. V2-33-34. So, proper use of the account
 5 entails that lawyers withdraw payments for fees only as they are earned, and precisely in the
 6 amount owed (and not rounded up or down). *Id.*

7 59. Fee payments must be made out directly to the attorney (whether by check or transfer).
 8 The attorney may not cover operating, personal, or any other expenses from the IOLTA in lieu
 9 of payment for his work, even if the amount of fees owed to the attorney is sufficient to cover
 10 those expenses. *Id.* at p. V2-35.

11 60. Additionally, with client authorization, client funds within an IOLTA may be used to
 12 cover specific costs or services directly related to attorney's work for that client. *Id.* at pp. 33-34.

13 61. Wells Fargo maintains a Legal Specialty group that, among other things, "gathers and
 14 compiles law firm data" on a quarterly basis, including "billable hours, revenue per attorney,
 15 profit, headcount, and trends by region and sector." Ex. G, at p. V2-73. The bank uses its
 16 proprietary Comparative Analytical Tool (CAT) to process the data and glean relevant insights
 17 on the industry. *Id.* Thus, Wells Fargo also has substantial insight into the typical revenues and
 18 incomes of solo Nevada practitioners like Beasley.

19

20 **D. Wells Fargo Knew How the Beasley's IOLTA was to be Used and Knew How**
 21 **Appropriate (Non-Fraudulent) Activity within the IOLTA Would Appear.**

22 62. On January 26, 2017, Matthew Beasley applied for a Wells Fargo business account for
 23 his law firm, Beasley Law Group PC, specifically an Analyzed Business IOLTA.

24 63. Wells Fargo does not make IOLTA applications available as part of its online offerings.
 25 Instead, to apply for an IOLTA, a lawyer must go to a branch and personally process the
 26 application with a Wells Fargo banker.

27 64. Per the account-opening record, Beasley submitted the application at the 215 Wells
 28 Fargo Branch located at 6585 N Decatur Blvd., Las Vegas, NV 89131, with the help of Virginia

1 Arreola, a Wells Fargo personal banker. Ex. A, at p. V1-13 (relevant portion reproduced
 2 below).

Customer 1 Information			Business Account Application
Customer Name: BEASLEY LAW GROUP PC			
Enterprise Customer Number (ECN): 356876861909115		Street Address: 1872 SHY ALBATROSS AVE	
Account Relationship: Sole Owner		Address Line 2:	
Taxpayer Identification Number (TIN): 11156		TIN Type: EIN	Address Line 3:
Business Type: Corporation Type C		Non-Profit: No	City: NORTH LAS VEGAS State: NV
Business Sub-Type/Tax Classification: Professional Corporation			ZIP/Postal Code: 89084-2069 Country: US
Date Originally Established: 04/18/2011	Current Ownership Since: 01/01/2017	Number of Employees: 1	Business Phone: 702/483-6800 Fax:
Annual Gross Sales: \$350,000.00	Year Sales Reported: 01/01/2017	Fiscal Year End:	Cellular Phone: Pager:
Primary Financial Institution:	Number of Locations: 1	e-Mail Address: matthew@beasleylawgrouplv.com	
Primary State 1:	Primary State 2:	Primary State 3:	Website:
Primary Country 1:	Primary Country 2:	Primary Country 3:	Sales Market: LOCAL
Industry: Other Services (except Public Administration)			
Description of Business: Law office			

14 65. In the application, Beasley told Wells Fargo he was the sole owner of Beasley Law
 15 Group PC, and that he would be the sole signatory for the account. He also stated that the
 16 annual gross sales for the firm were \$350,000, and that the sales market for his business was
 17 “local.” The mailing address Beasley provided for the account was the address of his personal
 18 residence: 1872 Shy Albatross Avenue in North Las Vegas, Nevada.

19 66. The “Bank Use Only” portion of the account application stated that the bank conducted
 20 a verification of Beasley’s law firm with the Nevada Secretary of State.

21 67. Around this time, Beasley advertised his firm as a solo “family law and personal injury
 22 practice.” The Beasley Law Group, PC website had a rudimentary design and limited
 23 functionality; in short, it looked like a modest, solo practice that made only a few hundred
 24 thousand dollars in annual gross revenue. *See* Ex. H, at p. V2-76.

25 68. Operating an “Analyzed IOLTA” at Wells Fargo requires linking an eligible billing
 26 account. Ex. I, at p. V2-87. So, while Beasley maintained the IOLTA at Wells Fargo, he also
 27 maintained a Wells Fargo business checking account for his firm. This account is referenced in

1 banking documents as "Beasley Law Group Business Checking" (hereinafter "BLG operating
 2 account").

3 **E. Beasley's Use of the IOLTA Was Consistently, and Patently, Improper.**

4 69. Consistent with the foregoing, when Wells Fargo opened Beasley's IOLTA, it
 5 understood the nature of IOLTAs generally and what sort of activity to expect in such
 6 accounts; it forecasted that Beasley's IOLTA would be used in a manner consistent with a solo
 7 practitioner's law firm earning well under half a million dollars a year; and Wells Fargo
 8 monitored Beasley's IOLTA activity with that in mind.

9 70. From the start, however, Beasley's use of the IOLTA bore no resemblance to that
 10 predicted account activity and showed no signs of following mandated practices for IOLTAs.

11 **1. The Amount of Funds Running Through the IOLTA Was Orders of
 12 Magnitude Higher than Wells Fargo Expected.**

13 71. The amount of funds flowing through the IOLTA were higher than forecasted from the
 14 very start, and only grew as time passed. The table below, compiled by Amir Salimi, a forensic
 15 accountant for the Securities and Exchange Commission, depicts the dollar amounts flowing
 16 through the IOLTA during the relevant time period. Ex. A, at p. V1-7 (reproduced below).

Beasley IOLTA Account		
Wells Fargo - 5598		
Year	Average Monthly Inflows	Average Monthly Outflows
2017	583,907	(546,036)
2018	1,370,127	(1,291,958)
2019	4,147,822	(4,096,741)
2020	9,240,054	(9,045,776)
2021	20,435,193	(20,317,308)
2022	28,399,421	(30,110,959)

1 72. According to Mr. Salimi's analysis, a total of \$491.5 million was deposited into the
2 IOLTA between January 2017 and March 2022.

3 73. The amount of funds flowing into the IOLTA was—from the start—larger than
4 anticipated, and it only grew steadily larger from there. In 2017, the first year the IOLTA was
5 open, more six million dollars flowed through the account. In 2018, an average of more than \$1
6 million entered the account each month. In 2019, an average of more than \$4 million entered
7 the account each month. By 2020, it was up to \$9 million monthly. In 2021, over \$20 million on
8 average entered each month. By 2022, nearly \$30 million on average entered the IOLTA each a
9 month.

10 74. The sheer volume of funds passing through the Beasley IOLTA signaled an
11 unmistakable disparity between what Beasley had told Wells Fargo about his firm, and about
12 its revenues, and the subsequent use of the account.

13 75. In addition, because Wells Fargo also maintained the Beasley firm's operating account,
14 it saw that Beasley was withdrawing substantially more than forecasted as ostensible firm
15 revenues.

16 76. Attorney earnings that flow through an IOLTA typically make up only a portion of a
17 practitioner's income. Yet within months of its opening, the funds moving from the IOLTA
18 into the BLG operating account were already orders of magnitude higher than what Beasley
19 had told Wells Fargo his annual gross revenues were.

20 77. For example, in June 2017, Beasley transferred \$190,000 from the IOLTA to his firm's
21 operating account at Wells Fargo. The following month, Beasley transferred \$124,000 from the
22 IOLTA to the firm's operating account. The month after that, \$275,000 moved from the IOLTA
23 to operating account. So, within a three-months span, the amount sent from the IOLTA to the
24 operating account exceeded \$350,000 – the amount Beasley had identified to Wells Fargo as his
25 firm's annual gross revenue.

26 78. The disparity between the revenues Beasley forecasted for Wells Fargo, and what was
27 moved from the IOLTA into the BLG operating account, only grew from there. Between 2017
28 and 2022, approximately \$17.1 million flowed from the IOLTA to the Beasley firm's operating

1 account. These ostensible firm revenues were about ten times more than Beasley had told
2 Wells Fargo to expect.

3

4 **2. The IOLTA's pattern of deposits and withdrawals also showed clear
indicia of Ponzi behavior.**

5

6 79. In addition to the sheer amount of funds running through the IOLTA, the nature of the
account's activity bore no resemblance to the proper use of an IOLTA – let alone for a firm like
7 Beasley's. The Ponzi-like account patterns were unmistakable.

8

9 80. Mr. Salimi, the SEC accountant, asserted in his declaration filed along with the SEC
10 complaint, that based on her review of the IOLTA bank records, a pattern of suspected Ponzi
11 activity was already apparent in as early as January 2017 (the month the IOLTA was opened).
12 Ex. A., at p. V1-6.

13

14 81. Reflecting one of the more glaring and easy-to-spot indicia of fraud and money
15 laundering, the vast majority of the deposits into the IOLTA consisted of large round-number
16 transfers, predominantly in increments of \$40,000, \$50,000, \$80,000, or \$100,000, as shown in
example below. Ex. L, at p. V4-172.

17 \

18 \

19 \

20 \

21 \

22 \

23 \

24 \

25 \

26 \

27 \

28

1 Account number █ 5698 ■ January 1, 2022 - January 31, 2022 ■ Page 2 of 11



2 Electronic deposits/bank credits (continued)

3 Effective date	4 Posted date	5 Amount	6 Transaction detail
1 01/04	2 01/04	3 80,000.00	4 WT Seq#80251 Pilar Do Sul LLC /Org=Srf# Ow00001880274762 5 Trn#220104080251 Rfb# Ow00001880274762
6 01/04	7 01/04	8 100,000.00	9 WT Fed#00113 America First Fede /Org=Andrew Hansen Srf# 10 1857611318545536 Trn#220104100295 Rfb#
11 01/04	12 01/04	13 800,000.00	14 WT Seq#108859 Pine Valley Investments /Org=Pine Valley Investments Srf# 15 Gw0000047550502 Trn#220104108859 Rfb# 529
16 01/04	17 01/04	18 50,000.00	19 WT Seq#116427 Kristy E Herlean /Org= Srf# 0083856004374557 20 Trn#220104116427 Rfb#
21 01/04	22 01/04	23 50,000.00	24 WT Fed#02919 Bank of America, N /Org=Faith Koa Investments LLC Srf# 25 2022010400418871 Trn#220104148686 Rfb# Qgyvdpdzb
26 01/04	27 01/04	28 200,000.00	29 WT Fed#04128 Bank of America, N /Org=Dale A McIntire Trustee Srf# 30 2022010400445185 Trn#220104168325 Rfb# 370093914
31 01/04	32 01/04	33 80,000.00	34 WT Fed#07929 Utah Community Cte /Org=Joseph Loveridge Srf# 35 3243778200062605 Trn#220104184214 Rfb# Joseph Loveridge
36 01/05	37 01/05	38 100,000.00	39 Rpm Investment G Sender 220105 xxxx0708 00008 easley Law Grou
40 01/05	41 01/05	42 25,000.00	43 WT Fed#02444 Bank of America, N /Org=Michaeline Zavala Srf# 44 2022010500104832 Trn#220105014403 Rfb# 370131258
45 01/05	46 01/05	47 300,000.00	48 WT Fed#00483 US Bank, NA /Org=Jje LLC Srf# 220105005952 49 Trn#220105041084 Rfb# 220105005952
50 01/05	51 01/05	52 80,000.00	53 WT Fed#01074 Jpmorgan Chase Ban /Org=Prestige Consulting LLC Srf# 54 3101622006Es Trn#220105015231 Rfb# Bch of 22/01/05
55 01/05	56 01/05	57 200,000.00	58 WT Fed#00173 Ally Bank /Org=Bryce J Barker Srf# 35357536 59 Trn#220105058672 Rfb# 2556981
60 01/05	61 01/05	62 200,000.00	63 WT Fed#00342 Mountain America F /Org=M2 Holdings Lp Srf# 64 Trn#220105073743 Rfb#
65 01/06	66 01/06	67 80,000.00	68 WT Fed#00395 Morgan Stanley and /Org=ML Kopald M Crow CO-Tee Margaret 69 Srf# S0620062349401 Trn#220106072775 Rfb#
70 01/06	71 01/06	72 200,000.00	73 WT Fed#07942 Bank of America, N /Org=Acac, LLC Srf# 2022010600288834 74 Trn#220106075252 Rfb# 370339636
75 01/06	76 01/06	77 80,000.00	78 WT Fed#00389 National Financial /Org=1 Michael William Sansom Tee Srf# 79 3506758006Fs Trn#220106095898 Rfb# Swf of 22/01/06
80 01/07	81 01/07	82 100,000.00	83 WT Fed#08248 Bank Forward /Org=Mak Capital Srf# 0913108840010658 84 Trn#220107177361 Rfb#
85 01/10	86 01/10	87 200,000.00	88 WT Fed#00457 Jpmorgan Chase Ban /Org=Brian S Gabrielson OR Sofia Srf# 89 3015292006Es Trn#220110012968 Rfb# Dcd of 22/01/08
90 01/10	91 01/10	92 50,000.00	93 WT Seq#30500 Exemption Trust Under T /Org= Srf# Ow00001890101633 94 Trn#220110030500 Rfb# Ow00001890101633
95 01/10	96 01/10	97 50,000.00	98 WT Fed#09398 Bank of America, N /Org=Darcy K Fitch Srf# 2022011000398859 99 Trn#220110097957 Rfb# 370765968
100 01/10	101 01/10	102 100,000.00	103 WT Fed#09663 Bank of America, N /Org=Scott R Kanter Srf# 104 2022011000405144 Trn#220110101803 Rfb# 370768412
105 01/10	106 01/10	107 100,000.00	108 Deposit Made In A Branch/Store
109 01/10	110 01/10	111 100,000.00	112 WT Fed#05069 Jpmorgan Chase Ban /Org=Webster-Webster,CO LLC Srf# 113 3409432010Es Trn#220110119744 Rfb# Dcd of 22/01/10
114 01/10	115 01/10	116 400,000.00	117 WT Fed#01103 Bancocentral Nation /Org=T Investment Partners Inc Srf# 34352 118 Trn#220110138010 Rfb#
119 01/10	120 01/10	121 600,000.00	122 WT Fed#03002 Bank of America, N /Org=Matthew B Brooks Srf# 123 2022011000459653 Trn#220110141599 Rfb# 2201101431000007
124 01/10	125 01/10	126 80,000.00	127 WT Fed#01729 Boulder Dam Credit /Org=Plutus Ltd Srf# 3224840290014398 128 Trn#220110152136 Rfb#

23 ©2010 Wells Fargo Bank, N.A.
24 All rights reserved. Member FDIC.

25 82. When the funds left the IOLTA, the vast majority (approximately \$487 million during
26 the same five-year span) was sent one of a short list of individuals and entities. A subset of
27 that, \$411 million (or 84% of the total outgoing transfers) went to one of just five entities:
28

- a. J & J Consulting Services received over \$313.7 million.
- b. Stirling Consulting LLC, an entity associated with a major promoter of the scheme, received \$37.2 million.
- c. CJ Investments LLC, another entity associated with a promoter, received \$31 million.
- d. Triple Threat Basketball, LLC, another entity associated with a promoter, received \$12.3 million.
- e. As discussed, \$17.1 million went to the Beasley firm's operating account.

3. The names of the entities transacting with the IOLTA were not plausible clients of a solo practitioner's law firm and instead showed the IOLTA was being used to receive investment funds.

83. As noted above, IOLTAs are expected to have account activity that reflects client names to ease with accounting. This often means including clients as co-payees on checks or transfers. In the case of Beasley's IOLTA, all transfers and deposits were made out to Beasley's law firm as the sole payee.

84. And while many of the transactions reflected the names of those transmitting the incoming wires and transfers, the names of those entities ruled out any possible connection with a law firm conducting the sort of business that Beasley had reported to Wells Fargo. Instead, most of the deposits (and many outgoing transfers) were notated as having come from entities with names that unmistakably related to finance and investment activity, such as:

1. Atma Investments LLC
2. Bam Investments
3. BCB 5 Investments
4. Bellaire Investments LLC
5. Bm Investments 1 LLC
6. Dudz Investment LLC
7. Eag Investments
8. Herlean Investments
9. Jal Investments

- 1 10. JK Investments
- 2 11. McMH Investments, LLC
- 3 12. Mrrv Investments LLC
- 4 13. Rwl Investments
- 5 14. Reign Investments
- 6 15. Rpm Investment Group
- 7 16. Ruger Investments LLC
- 8 17. Shonduras Investments LLC
- 9 18. SM Financial Investment
- 10 19. Smiling Man Investments, LLC
- 11 20. Tj Investment Partners LLC
- 12 21. We Capital Investments
- 13 22. Westshore Investments
- 14 23. Herlean Financial Services
- 15 24. Capital Core Financial
- 16 25. 3D Capital Group Inc
- 17 26. Procor Capital Fund I LLC
- 18 27. JFK Financial
- 19 28. McGregor Equity Group
- 20 29. South Wind Financial
- 21 30. Zzyx Capital LLC
- 22 31. Perseverance Capital Management LLC
- 23 32. Tanner Capital Group
- 24 33. Shimmer Holdings LLC
- 25 34. Bsm Holdings LLC
- 26 35. A & A Holdings LLC
- 27 36. Portz Holdings LLC
- 28 37. Erum Holding Limited Partnership

- 1 38. Wwf Holdings LLC
- 2 39. Big Game Holdings LLC
- 3 40. Diversified Transactions LLC
- 4 41. Leukenga Nma Holdings
- 5 42. Jersey Isles Holdings
- 6 43. Bennett Enterprises Capital
- 7 44. Montero Holdings
- 8 45. Elite Entrepreneurs LLC
- 9 46. Tab Capital LLC
- 10 47. LEC Holdings LLC
- 11 48. C & C Holdings LLC
- 12 49. Wos Holdings LLC
- 13 50. Drn Lopez Investments LLC
- 14 51. Battle Born Funding
- 15 52. CJ Investments LLC
- 16 53. Brahman Holdings LLC
- 17 54. Stagebrush State Holding
- 18 55. Blue Holdings
- 19 56. ECCC Investments
- 20 57. 5K Investments
- 21 58. Ruger Investments Inc
- 22 59. Badgerland Holdings LLC
- 23 60. Red Hill Investments
- 24 61. Lessismore Investments
- 25 62. Sbz Capital LLC
- 26 63. 824 Capital LLC

85. The above examples show that time and again, the parties sending and receiving money from the IOLTA were – by name – not plausibly connected to a small family-law or personal-injury practice.

86. To the extent the entities' names left any doubt, many investors included notations when sending money into the IOLTA, stating expressly the purpose of the investment.

87. For instance, Plaintiff Carso – himself a Wells Fargo customer – included a notation indicating “Capital Investment” when initiating his Wells Fargo wires. He also told various Wells Fargo employees that the purpose of the transfer was investment, including a discussion about the nature of the investment scheme, and the underlying documents, with a Wells Fargo financial advisor. The images below depict examples of the wire requests submitted by Plaintiff Carso in February, March, and April of 2020, and January 2022. These requests were processed by Wells Fargo bankers Matt Smith, Araxie Baghdadlian, Daniel Veloso, and Daniel Mahavong at the 5223 branch in Las Vegas: Ex. J, pp. V3-3-7.

Beneficiary/Recipient Information (This is the ultimate recipient of the wire transfer funds)

Beneficiary/Recipient Name: BEASLEY LAW GROUP PC	Name/Address Line 1: NV IOLTA ACCT
Beneficiary Account Number/IBAN (Foreign)/CLABE (Mexico): 3138065598	Name/Address Line 2: 5475 RUFFIAN R
Purpose of Funds: 	Name/Address Line 3: LAS VEGAS NV 8
Additional Instructions: Capital Investment in Purchase Settlement Contracts - Jager	Beneficiary Phone Number:

88. Other investors similarly stated in wire memos, and/or to bank employees - both at Wells Fargo, and other banks - that they were wiring funds for investment purposes.

89. The line items on the IOLTA's bank statements are replete with references to "dividends", "reinvestment[s]," "capital investment," "contract[s]," "loan settlement," and "credit on new contract[s]." *See, e.g.*, Ex. J, at p. V4-6 (reproduced below).

07/27	20,000.00	US20072700104934 Trn#200727201124 Rfb# Qst-2713M6 UD-20 Triple Threat Ba Deposit [REDACTED] 1975 Payment
07/27	112,000.00	Stirling Consult Deposit [REDACTED] 5941 Capital Reinvestments for Dr John and Rex Mitchel
07/28	80,000.00	WT Fed#04343 Jpmorgan Chase Ban /Org=Enduro Development, LLC Srf# 469472010Es Tm#200728064918 Rfb# Bpl of 20/07/28
07/28	25,000.00	WT Fed#06558 Clark County Credi /Org=Robert A. Seik Srf# 3224841130007495 Trn#200728069381 Rfb#

90. Another frequent hallmark of money laundering in the IOLTA, was the frequency of transfers by repeat senders. The IOLTA statements reveal repeat transfers from many of the same senders, in some cases on dozens of occasions.

91. And while Beasley had told Wells Fargo that his firm covered a “local market,” throughout the relevant period, payments to the IOLTA were made from all over the United States. The IOLTA also received payments from at least three foreign investors: from Australia, Taiwan, and Singapore –highly unusual for a local Nevada practitioner – and a red flag under the FIEEC guidance.

4. Beasley Frequently Used the IOLTA in Patently Improper Ways.

92. In addition to the foregoing, Beasley repeatedly used funds in the IOLTA to pay for obvious non-law-firm expenses. Ex. A, at p. V1-9.

93. For example, less than two months after opening the IOLTA, Beasley made a payment of \$42,008.08 to "Capital One Auto Carpay ... Robert P Villanueva" from the IOLTA, an apparent payment for a car loan. Ex. K, at p. V3-15.

94. In September 2021, Beasley directed a payment of \$95,486.04 to Cjf Automotive, LLC, an entity associated with a local car dealership. Ex. J, at p. V4-135.

95. Other payments for personal expenses included payments to title companies, which totaled over \$4 million, Ex. A., at p. V1-9, and nearly \$7 million in gambling debts,. *Id.* at p. V1-8; Ex. B, at p. V1-20.

1 96. In addition, the flow of funds from the Beasley firm's operating account into the IOLTA
 2 violated fundamental IOLTA rules. Generally, no funds that belong to an attorney or law firm
 3 should be deposited into an IOLTA. The exception is where a lawyer needs to deposit their
 4 own funds "for the sole purpose" of paying bank servicing charges—and even then, "only in
 5 an amount necessary for that purpose." Ex. F, at p. V2-34. Yet the BLG operating account sent
 6 a number of large transfers into the IOLTA: (i) \$150,000 on September 6, 2017, Ex. K, at p. V3-
 7 32, (ii) \$600,000 on March 31, 2021, Ex. L, at p. V4-71, (iii) \$150,000 on November 8, 2021, *id.* at
 8 p. V4-151, (iv) \$450,000 on November 17, 2021, *id.* at p. V4-154, (v) \$20,000 on November 29,
 9 2021, *id.* at V4-156, (vi) \$80,000 also on November 29, 2021, *id.*, and (vii) \$400,000 on November
 10 30, 2021. *Id.*

11 97. Beasley's use of the IOLTA also regularly violated Wells Fargo's own policies, as well as
 12 the more stringent standards to which IOLTA accounts are subject, and of which Wells Fargo
 13 is aware. For example, Beasley's use of account checks frequently featured gaps in the
 14 sequence of checks drawn on the account—a point that Wells Fargo noticed and flagged on the
 15 account. *See, e.g.*, Ex. K, at p. V3-36 (reproduced below).

Checks paid								
Number	Amount	Date	Number	Amount	Date	Number	Amount	Date
106	13,482.26	10/23	109	1,342.00	10/24	110	54,285.83	10/30
108'	2,022.90	10/24						
							\$71,132.99	Total checks paid
* Gap in check sequence								
							\$611,411.41	Total debits

22 98. In the same vein, return payments were repeatedly processed on the account, in conflict
 23 with Nevada State Bar rules for IOLTAs. *See, e.g.*, Ex. K, at p. V3-99 (reproduced below).

01/15	149,955.00	Harmon Tan Srt# 0001965637586 Trn#190115072833 Rfb# WT Seq#102787 WF Return Wires IN Proc /Org= Srt# 2019011400172907 Trn#190115102787 Rfb#
01/15	40,000.00	WT Fed#01812 Boulder Dam Credit /Org=Kay Geez Stock Lc Srt# 3224840290007644 Trn#190115136081 Rfb#
01/15	20,000.00	WT Fed#02497 Mufg Union Bank, N /Org=Maurtua, Cesar A. Srt#

1 99. Limited access to the account is another well-known feature of IOLTAs. Having more
 2 than one authorized signatory is strongly discouraged, and in some circumstances proscribed.
 3 Ex. F, at p. V2-29. Beasley's IOLTA application provided that he would be the sole signatory
 4 on the account. Ex. A, at p. V1-16. Wells Fargo policy is to permit only authorized account
 5 signatories to deposit funds into accounts. Yet Beasley's IOLTA statements list electronic
 6 deposits of funds were made by unauthorized individuals on a regular basis. For example, on
 7 September 12, 2018, a deposit was made into the IOLTA in San Francisco, California, in the
 8 morning, and then another deposit was made in Provo, Utah, the same afternoon. In addition,
 9 a "branch/ store deposit" (presumably at a third location) was also made that day. Ex. K, at p.
 10 V3-80 (reproduced in part below).

<i>date</i>	<i>Amount</i>	<i>Transaction detail</i>
09/12	40,000.00	eDeposit IN Branch/Store 09/12/18 10:22:23 Am 2 Grant Ave San Francisco CA
09/12	80,000.00	Deposit Made In A Branch/Store
09/12	120,000.00	eDeposit IN Branch/Store 09/12/18 04:18:02 PM 66 E 1650 N Provo UT

14

15 **5. The IOLTA Account Statements Show No Signs of Expected IOLTA**
 16 **Activity, Such as Depositing Client Funds, Paying Attorney Fees, or**
 17 **Paying Select Litigation Costs.**

18 100. None of the IOLTA account activity from 2017 to 2022 resembled appropriate use of an
 19 IOLTA.

20 101. The deposits into the IOLTA, for example, never resembled litigation settlement
 21 proceeds from Beasley's purported law practice. As Ms. Salimi, the SEC accountant, testified,
 22 analysis of the IOLTA identifies no incoming deposits from personal injury law firms, lawyers,
 23 insurance companies, or tort claimants.

24 102. Had the deposits been settlement proceeds, moreover, the IOLTA statements should
 25 have shown contemporaneous and proportionate disbursements to clients. The statements
 26 show no such activity. For instance, in March 2017, *all* of the recorded debit transactions were
 27 for cash withdrawals, transfers to the BLG operating account, and an apparent payment for
 28 Beasley's personal expenses.

1 103. Nor do the deposits appear to reflect retainer payments for the Beasley firm's services.
 2 Because IOLTA deposits are to be either nominal in amount or short-term in duration, a large
 3 retainer would be permissible only if it could be quickly earned. A personal injury or family
 4 law attorney at a one-lawyer firm in North Las Vegas earns only a few hundred dollars (at
 5 most) per hour. That rate would not justify a single transfer of \$100,000, much less a constant
 6 stream of transfers of tens of thousands of dollars over a period of years.

7 104. Similarly, the round number transfers from the IOLTA to the BLG operating account,
 8 mostly in amounts divisible by \$5,000, did not vary enough to be consistent with bona fide
 9 hourly basis earnings. Nor did the transfers from the IOLTA to the BLG operating account
 10 resemble percentage-based attorney fees; the transfers were too numerous and were not
 11 congruent with a percentage-based fee—they typically far exceeded any reasonable percentage
 12 fee in comparison to recent deposits.

13 105. Payments from the IOLTA were also inconsistent with payment of client expenses. For
 14 one, payment of client expenses is supposed to be made directly to third parties, and not first
 15 to the attorney's operating account. In addition, regular business and litigation expenses do
 16 not typically entail large, round-number transactions.

17 106. If these were indeed settlement proceeds, the IOLTA bank statements would show
 18 contemporaneous and proportionate disbursements to clients. This did not happen. For
 19 instance, in March 2017, *all* of the recorded debit transactions were for cash withdrawals,
 20 transfers to the BLG account, and an apparent payment for Beasley's personal expenses.

21 **6. The Account Activity Was Also Inconsistent with the Operation of a**
 22 **Legitimate Investment Fund.**

23 107. Finally, even if operating an investment fund through an IOLTA could be deemed
 24 permissible, the banking activity within the account was starkly inconsistent with that purpose
 25 too.

26 108. As the SEC accountant Mr. Salimi testified, the account activity showed no indications
 27 of acquisitions of investment assets. Ex. A, at p. V1-6. No payments were made, for example, to
 28

1 insurance companies, law firms, or third-party plaintiffs – as might be expected if Beasley and
 2 Judd were running the sort of investment operation that investors had been led to believe. *Id.*

3 109. Instead, the consistent pattern was showed investment funds entering the IOLTA, then
 4 being promptly funneled out to Beasley- and Judd-controlled accounts, or to a small number
 5 of additional accounts maintained by the scheme's promoters. Many of these outgoing
 6 transfers from the IOLTA went into business accounts also maintained at Wells Fargo.

7 **F. Wells Fargo's Bad Faith Refusal to Investigate, and Its Continued Assistance
 8 to Beasley Throughout the Life of the Ponzi Scheme, Caused Investors'
 9 Losses.**

10 110. From January 2017, when Wells Fargo first opened Beasley's IOLTA, to March 2022,
 11 when law enforcement was finally able to end the Ponzi scheme, nearly \$500 million of
 12 investor funds flowed into the IOLTA.

13 111. As of March 2022, however, only \$4 million remained. The innocent investors enticed
 14 into investing in the scheme stand to lose hundreds of millions of dollars.

15 112. Throughout the period, Wells Fargo was in a unique opportunity to see the nature of
 16 the fraud being perpetrated and to take action to stop it.

17 113. Wells Fargo knew ample facts to give rise, at the very least, to a duty to investigate the
 18 account activity within the IOLTA. Yet the bank opted not to investigate. All the while, it
 19 benefited from the millions of dollars laundered through its bank. Wells Fargo thus acted in
 20 bad faith and with the requisite scienter to be held liable for the misconduct perpetrated using
 21 the IOLTA.

22 114. Indeed, Beasley and Judd were only able to perpetrate their Ponzi scheme for as long as
 23 they did because of Wells Fargo's assistance. Wells Fargo lent the scheme the credibility of
 24 using an IOLTA, which investors were told provided security for their funds since they were
 25 being held in a trust account. And Wells Fargo continuously processed deposits, withdrawals,
 26 and other account activity despite knowing, or being recklessly indifferent to, the flagrantly
 27 unlawful use of the account.

1 **III. Plaintiffs' Facts**

2 Plaintiff Barrett Henzel

3 115. Between December 2019 and March 2022, when the Ponzi scheme was exposed, Plaintiff
4 Barrett Henzel invested \$400,000 into the Ponzi venture, using Henzelhaus, LLC, a Nevada
5 limited liability company that Henzel owns jointly with his wife.

6 116. Henzel learned of the opportunity to invest in the venture from a friend who had
7 known Judd since college and who had promoted the venture to others on Judd's behalf.

8 117. On or about December 9, 2019, per a promoter's instructions, Henzel wired \$70,000 to
9 fund his initial investment. The promoter told Henzel that his money would purchase 70% of a
10 \$100,000 lawsuit settlement contract, and that he would receive a 12.5% return on his
11 investment in 90 days. Subsequently, Henzel funded a total of \$300,000 more in additional
12 investments, also to purportedly purchase interests in personal-injury settlements.

13 118. Throughout his dealings with the venture, Henzel was typically instructed to wire
14 investment funds directly to Beasley's IOLTA account.

15 119. To date, Henzel received payments of approximately \$296,250 as purported returns on
16 his investments. The losses Henzel has incurred have caused hardship to Henzel and his
17 family.

18 Plaintiff Allan Carso

19 120. Between February 2020 and March 2022, when the Ponzi scheme was exposed, Plaintiff
20 Allan Carso invested \$280,000 in the Ponzi venture.

21 121. Plaintiff Carso learned of the opportunity to invest in the venture from his daughter
22 who knew Judd and a promoter of the scheme, from her church.

23 122. On or about February 11, 2020, per a promoter's instructions, Carso wired \$80,000 to
24 fund his initial investment. The promoter told Carso that his money would purchase an
25 \$80,000 purchase contract, and that he would receive a 12.5% return on his investment in 90
26 days. Subsequently, Carso funded a total of \$200,000 more in additional investments, also to
27 purportedly purchase interests in personal-injury settlements.

1 123. Carso's investments were made in the name of the Carso Family Revocable Trust, a
 2 California trust, of which Carso is the trustee.

3 124. Throughout his dealings with the venture, Carso was instructed to wire investment
 4 funds directly to Beasley's IOLTA.

5 125. To date, Carso received payments of approximately \$174,000 as purported returns on
 6 his investments. The losses Carso has incurred have caused hardship to Carso and his family.

7 Plaintiffs Tina and Anthony Guilder

8 126. Between November 2019 and March 2022, the Guilder Plaintiffs invested \$2,100,000 on
 9 behalf of themselves and their family members, including through TTT Partners, LLC dba T&T
 10 Partners, a California limited liability company, of which Tina Guilder is the sole owner and of
 11 which Anthony Guilder is the manager.

12 127. Plaintiffs Tina and Anthony Guilder were friendly with others in their California
 13 community who had invested in the Ponzi venture. In November 2019, they were introduced
 14 to a promoter who worked directly with Jeffrey Judd to solicit and process investments.

15 128. On or about November 29, 2019, per a promoter's instructions, the Guilder Plaintiffs
 16 wired funds for their initial investment of \$100,000. The promoter told them this would
 17 purchase a \$100,000 lawsuit settlement contract, and that they would receive a 10% return on
 18 their investment in 90 days. Subsequently, the Guilder Plaintiffs funded in total an additional
 19 \$2,000,000 in investments, also to purportedly purchase interests in personal-injury
 20 settlements.

21 129. Throughout their dealings with Ponzi venture, the Guilder Plaintiffs were typically
 22 instructed to wire investment funds directly into Beasley's IOLTA account.

23 130. To date, the Guilder Plaintiffs have received payments of approximately \$940,000 as
 24 purported returns on their investments. The losses that the Guilder Plaintiffs have incurred have
 25 caused hardship for the Guilder Plaintiffs and their family.

Bryce Bussey

131. Between May 2020 and March 2022, when the Ponzi scheme was exposed, Plaintiff Bryce Bussey invested \$1,340,000 of his money, and that of his family and friends, in Ponzi venture.

132. Plaintiff Bussey was connected to one of the promoters of the Ponzi venture by an acquaintance who had invested into it as well.

133. On or about May 12, 2020, per a promoter's instructions, Bussey wired \$40,000 to fund his initial investment. The promoter told Bussey that his money would purchase half of an \$80,000 lawsuit settlement contract, and that he would receive a 6.25% return on his investment in 90 days. Subsequently, Bussey funded \$700,000 in additional investments, also to purportedly purchase interests in personal-injury settlements. Bussey also assisted family and friends in investing \$600,000 of their own funds in the venture.

134. All of Bussey's investments with the scheme were made in Bussey's name and through DIY CEO LLC, a Wyoming limited liability company of which Bussey is the sole owner.

135. Throughout his dealings with the venture, Bussey was typically instructed to wire investment funds directly to Beasley's IOLTA account.

136. To date, Bussey has received payments of approximately \$239,875 as purported returns on his personal investments, and payments of approximately \$91,125 as purported returns on the investments made on behalf of family members and friends. The losses that Bussey has incurred have caused hardship for Bussey and his family.

TOLLING OR NON-ACCUMULATION OF STATUTES OF LIMITATION

137. Plaintiffs and the proposed class did not and could not have discovered the facts constituting fraud and unlawful conduct until March 4, 2022, the day after charges against Beasley were filed following the FBI shootout, and the day the FBI victim bulletin was published. Plaintiffs then retained counsel.

138. Until then, the Relevant Non-Parties fraudulently concealed the unlawful conduct, misleading investors to believe they were engaging in legitimate investment activity.

1 139. Because Plaintiffs and class members could not have reasonably discovered the facts
2 constituting Defendant's unlawful conduct until March 4, 2022, their claims accrued on that
3 date and any applicable statutes of limitations were tolled until that date.

4 **CLASS ACTION ALLEGATIONS**

5 140. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, Plaintiffs bring this action
6 on behalf of themselves and the following proposed class:

7 *All persons and entities who invested in lawsuit settlement contracts through Judd, Beasley, or the J*
8 *& J Entities' between January 2017 and March 2022.*

9 141. Excluded from the proposed class are Defendant and the Relevant Non-Parties; their
10 parents, affiliates, subsidiaries, legal representatives, predecessors, successors, assigns, and
11 employees; and any judge to whom this case is assigned, his or her spouse, and all persons
12 within the third degree of relationship to either of them, as well as the spouses of such
13 persons.

14 142. The above proposed class definition suffices because it uses objective characteristics;
15 class membership turns on objective criteria including whether someone transmitted money
16 for purchase of a share in a lawsuit settlement contract. Documents identifying such
17 investments are in the possession, custody, and control of the Relevant Non-Parties and
18 Defendant.

19 143. Numerosity. The members of the class are so numerous that joinder of all members is
20 impracticable. The size of the class, which is estimated to consist of hundreds if not thousands
21 of individuals and business entities, can only be ascertained through discovery.

22 144. Typicality. Plaintiffs' claims against Wells Fargo are typical of the claims of the
23 members of the class. Plaintiffs and class members were all victims of the Ponzi scheme, each
24 has claims against Wells Fargo for its role in that scheme, and each claim will depend on
25 common proof that Wells Fargo knew about the Ponzi scheme and substantially assisted.

26 145. Adequacy. Plaintiffs will fairly and adequately protect the interests of the members of
27 the class and have retained counsel competent and experienced in class action and financial
28 fraud litigation.

1 146. Commonality and Predominance. Common questions of law and fact exist as to all
 2 members of the proposed class and predominate over any questions solely affecting individual
 3 members of the proposed class. The questions of law and fact common to the class include:

- 4 a. Whether the Relevant Non-Parties breached fiduciary duties owed to the Plaintiffs
 and members of the proposed class;
- 5 b. Whether the Relevant Non-Parties engaged in fraud in connection with operating
 the alleged Ponzi scheme;
- 6 c. Whether Wells Fargo opened and maintained an IOLTA for Beasley's law firm;
- 7 d. Whether Beasley used the Wells Fargo IOLTA to perpetrate the alleged fraud and
 breach of fiduciary duties at issue;
- 8 e. Whether Wells Fargo knew sufficient facts that it had a duty to investigate the use
 of the IOLTA;
- 9 f. Whether Wells Fargo acted in bad faith by failing to investigate the use of the
 IOLTA or otherwise take action to protect investors;
- 10 g. Whether Wells Fargo aided and abetted in the fraudulent conduct and/or breach
 of fiduciary duties at issue;
- 11 h. Whether Wells Fargo breached a duty of reasonable care owed to Plaintiffs and
 members of the proposed class; and
- 12 i. Whether Wells Fargo's actions and omissions were the actual and proximate cause
 of Plaintiffs' and other proposed class members' damages.

13 147. Superiority. A class action is superior to other available means for the fair and efficient
 14 adjudication of this dispute. The injury suffered by each class member, while meaningful on
 15 an individual basis, is not of such magnitude as to make the prosecution of individual actions
 16 economically feasible. Even if class members themselves could afford such individualized
 17 litigation, the court system could not. In addition to the burden and expense of managing
 18 many actions arising from the same fraudulent scheme, individualized litigation presents a
 19 potential for inconsistent or contradictory judgments. Individualized litigation increases the
 20 delay and expense to all parties and the court system presented by the legal and factual issues

1 of the case. By contrast, a class action presents far fewer management difficulties and provides
 2 the benefits of single adjudication, economy of scale, and comprehensive supervision by a
 3 single court.

4 148. In the alternative, the proposed class may be certified because: (a) the prosecution of
 5 separate actions by the individual members of the proposed class would create a risk of
 6 inconsistent adjudications; (b) the prosecution of individual actions could result in
 7 adjudications, which as a practical matter, would be dispositive of the interests of non-party
 8 class members or which would impair their ability to protect their interests; and (c) Defendant
 9 have acted or refused to act on grounds generally applicable to the proposed class, thereby
 10 making appropriate final and injunctive relief with respect to the members of the proposed
 11 class as a whole.

12 **CAUSES OF ACTION**

13 **Count I**

14 ***Violations of the Uniform Fiduciaries Act, Nev. Rev. Stat. Ann. §§ 160.010, et seq.***

15 149. Plaintiffs allege this cause of action on behalf of themselves and the proposed class, and,
 16 in doing so, incorporate all preceding allegations.

17 150. Wells Fargo is a bank within the meaning of Nev. Rev. Stat. Ann. § 162.020(a).

18 151. Beasley and Judd are fiduciaries within the meaning of Nev. Rev. Stat. Ann. §
 19 162.020(b).

20 152. Plaintiffs and other members of the class are principals within the meaning of Nev. Rev.
 21 Stat. Ann. § 162.020(c).

22 153. Wells Fargo acted in violation of Nev. Rev. Stat. Ann. §§ 160.010, *et seq.*, including by
 23 violating Nev. Rev. Stat. Ann. § 162.080 and § 162.100.

24 154. Beasley and Judd (and the entities they controlled) owed fiduciary duties to Plaintiffs
 25 and the proposed class. They owed a fiduciary duty in connection with depositing funds into
 26 the Beasley law firm's IOLTA, which is a trust account and over which Beasley and his law
 27 firm acted as trustee. They also owed a fiduciary duty in conjunction with accepting funds to
 28 be used for investment purposes; they maintained control over those funds upon receiving

1 them and owed duties of loyalty and care to, and to deal honestly and in good faith with,
 2 Plaintiffs and the proposed class. This entailed, among other things, the fiduciary duty to use
 3 the funds in the manner expected and trusted by the Plaintiffs and proposed class.

4 155. Wells Fargo knew fiduciary duties were owed to all those whose funds were deposited
 5 in the IOLTA.

6 156. Beasley and Judd (and the entities they controlled) breached their fiduciary duty to
 7 Plaintiffs and the other members of the proposed class. Among other things, they breached
 8 Plaintiffs' and other class members' trust by using their funds for purposes other than those
 9 intended. They caused funds to be deposited into, maintained within, and transferred from the
 10 IOLTA inconsistent with the norms and rules for such accounts, and they failed to operate the
 11 IOLTA in the manner (and using the protections with which) such trust accounts are required
 12 to be operated. Rather than spending the funds as intended by Plaintiffs and the class, they
 13 misappropriated the funds for their own personal gain.

14 157. Wells Fargo had actual knowledge of these breaches of fiduciary duty. Wells Fargo
 15 knowingly allowed the IOLTA to be operated in a fashion that bore no reasonable resemblance
 16 to how such trust accounts are appropriately used. Wells Fargo knew that IOLTA had been
 17 created for a solo practitioner's law firm that earned \$350,000 annually in gross revenues, yet
 18 facilitated the deposit and withdrawal of nearly \$500 million from the account in less than six
 19 years' time, including over \$17 million moving directly from the IOLTA into the Wells Fargo
 20 operating account maintained by the Beasley firm.

21 158. Alternatively, Wells Fargo acted in bad faith because it knew such facts that made its
 22 actions in effecting deposits into and withdrawals out of the Beasley firm's IOLTA amount to
 23 bad faith. The IOLTA transactions here were improper on their face. Wells Fargo witnessed
 24 such clear and obvious indicia that the IOLTA was being used to breach fiduciary duties to
 25 Plaintiffs and other members of the propose class, that it had a duty to investigate, and acted
 26 in bad faith when it chose not to investigate or otherwise take action to protect Plaintiffs' and
 27 class members' funds.

1 159. The actual and foreseeable result of Wells Fargo's conduct was the loss of funds
 2 belonging to Plaintiffs and the members of the class, who have sustained and will continue to
 3 sustain damages as a result.

4 **Count II**
 5 *Aiding and Abetting Breach of Fiduciary Duty*

6 160. Plaintiffs allege this cause of action on behalf of themselves and the proposed class, and,
 7 in doing so, incorporate all preceding allegations.

8 161. As set forth above, Judd and Beasley (and the entities they controlled) breached
 9 fiduciary duties to Plaintiffs and the proposed class, including by using Plaintiffs' and class
 10 members' funds for purposes other than those intended, depositing those funds into the
 11 IOLTA and maintaining the IOLTA in a manner inconsistent with the rules governing attorney
 12 trust accounts, and misappropriating the funds for their own personal gain.

13 162. Wells Fargo knowingly and substantially provided material assistance to the breaches
 14 of fiduciary duties owed to Plaintiffs and other members of the proposed class. Wells Fargo
 15 knowingly allowed the IOLTA to be operated in a fashion that bore no reasonable resemblance
 16 to how such trust accounts are appropriately used. Wells Fargo knew that IOLTA had been
 17 created for a solo practitioner's law firm that earned \$350,000 annually in gross revenues, yet
 18 facilitated the deposit and withdrawal of nearly \$500 million from the account in less than six
 19 years' time, including over \$17 million moving directly from the IOLTA into the Wells Fargo
 20 operating account maintained by the Beasley firm. Wells Fargo witnessed systematic,
 21 continuous evidence of money laundering and Ponzi activity, yet took no action to stop the
 22 misconduct, and instead facilitated the continued operation and use of an attorney trust
 23 account at its bank to perpetrate the scheme and continued to effect all requested banking
 24 transactions involving the IOLTA.

25 163. As a direct and proximate result of Wells Fargo's aiding and abetting of the breaches of
 26 fiduciary duty, Plaintiffs and proposed class members have lost a significant portion of the
 27 funds they entrusted with the Relevant Non-Parties, have been denied use of their assets since
 28 March 2022, and have been damaged thereby in an amount to be determined at trial.

Count III

Aiding and Abetting Fraud

164. Plaintiffs allege this cause of action on behalf of themselves and the proposed class, and, in doing so, incorporate all preceding allegations.

165. As set forth above, by promoting an investment opportunity to purchase in lawsuit settlement contracts with no intention to deliver the promised investment assets, while instead laundering the investment funds through the IOLTA and ultimately misappropriating those funds for their own personal use, Beasley and Judd (and the entities they controlled) committed fraud.

166. Wells Fargo knowingly and substantially provided material assistance to the Ponzi scheme. Wells Fargo knowingly allowed the IOLTA to be operated in a fashion that bore no reasonable resemblance to how such trust accounts are appropriately used. Wells Fargo knew that IOLTA had been created for a solo practitioner's law firm that earned \$350,000 annually in gross revenues, yet facilitated the deposit and withdrawal of nearly \$500 million from the account in less than six years' time, including over \$17 million moving directly from the IOLTA into the Wells Fargo operating account maintained by the Beasley firm. Wells Fargo witnessed systematic, continuous evidence of money laundering and Ponzi activity, yet took no action to stop the misconduct, and instead permitted the continued operation of an attorney trust account to perpetrate the scheme and continued to effect all requested banking transactions involving the IOLTA.

167. As a direct and proximate consequence of Wells Fargo's conduct as described in this complaint, Plaintiffs and class members have lost a significant portion of the funds they entrusted to the Relevant Non-Parties, have been denied the use of those funds since March 2022, and have been damaged in an amount to be determined at trial.

Count IV

Negligence

168. Plaintiffs allege this cause of action on behalf of themselves and the proposed class, and, in doing so, incorporate all preceding allegations.

169. Plaintiffs advance this count in the alternative to their other claims, in the event the Court find that no fiduciary duty was owed to Plaintiffs or the class in connection with the operation of the Beasley firm's IOLTA.

170. At all relevant times, Beasley and Judd (and the entities they controlled) caused funds belonging to Plaintiffs and the other members of the proposed class to be deposited into the IOLTA at Wells Fargo. Wells Fargo knew or should have known that the deposits were investment funds and were intended to be used for investment purposes only.

171. Wells Fargo knew or should have known that the funds were not being used for investment purposes and were instead being misappropriated for the personal use of Judd and Beasley.

172. Wells Fargo knew or should have known that the funds deposited into the IOLTA were not funds being held by an attorney for the benefit of the attorney's client, and it should have known the IOLTA was not being operated consistent with any of the norms and requirements applicable to such accounts.

173. Wells Fargo owed a duty to Plaintiffs and other members of the proposed class to employ at least reasonable care with respect to the maintenance and use of the Beasley firm's IOLTA account and the funds held therein.

174. Wells Fargo breached its duty to Plaintiffs and other members of the proposed class when, among other things, it allowed the IOLTA to be operated in a fashion that bore no reasonable resemblance to how such accounts are appropriately used; allowed orders of magnitude more funds to flow through the account that the bank reasonable anticipated; witnessed systematic, continuous evidence of money laundering and Ponzi activity, yet took no action to stop the misconduct, and instead facilitated the continued operation of an attorney trust account to perpetrate the scheme and continued to effect all requested banking transactions involving the IOLTA; and repeatedly failed to investigate the misuse of the

1 IOLTA account despite many “red flags” from the account activity indicating fraud, money
2 laundering, or a Ponzi scheme.

3 175. As a direct and proximate cause of Wells Fargo’s breach as described throughout this
4 complaint, Plaintiffs and the members of the class have sustained damages in an amount to be
5 determined at trial.

6 **REQUEST FOR RELIEF**

7 WHEREFORE, Plaintiffs, on behalf of themselves and all others similarly situated,
8 request that the Court enter a judgment awarding the following relief:

9 a. An order certifying the proposed class and appointing the undersigned counsel as class
10 counsel;
11 b. An award of damages and all other available monetary relief, including pre-judgment
12 interest, on each claim in an amount to be established at trial;
13 c. An award of punitive damages in an amount to be established at trial;
14 d. An award of Plaintiffs’ reasonable attorneys’ fees and litigation costs;
15 e. Such other and further relief as this Court may deem just and proper.

16
17
18
19
20
21
22
23
24
25
26
27
28 //

DEMAND FOR JURY TRIAL

Plaintiffs demand a trial by jury as to all issues so triable.

Dated: May 6, 2022

Respectfully submitted,

/s/ Miles N. Clark

Miles N. Clark (NBN 13848)
KNEPPER & CLARK LLC
5510 S. Fort Apache Rd., Suite 30
Las Vegas, NV 89148-7700
(702) 856-7430
miles.clark@knepperclark.com

Eric H. Gibbs (*pro hac vice*)
David K. Stein (*pro hac vice*)
Iudis Sominskaia (*pro hac vice*)
GIBBS LAW GROUP LLP
505 14th Street
Oakland, California 94612
ehg@classlawgroup.com
ds@classlawgroup.com
ids@classlawgroup.com

Scott L. Silver (*pro hac vice*)
SILVER LAW GROUP
11780 W. Sample Road
Coral Springs, Florida 33065
(954) 755-4799
ssilver@silverlaw.com

Counsel for Plaintiffs and the Proposed Class